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5 November 2014

Hon Alan LEONG Kah-kit, SC  
Chairman  
Public Works Subcommittee  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Chairman,

**Sequence of the Public Works Subcommittee agenda items**

Thank you for seeking our views on Hon SIN Chung-kai's letter to you dated 21 October 2014, which proposed to change the sequence of the Public Works Subcommittee (PWSC) agenda items. The Government's views are set out below.

The PWSC is appointed under Rule 71(5) of the Rules of Procedure (RoP) of the Legislative Council (LegCo) by the Finance Committee (FC) "*for the purpose of assisting the committee in the performance of such functions of the committee as the committee may determine*". The PWSC may examine the public works expenditure proposals presented by the Financial Secretary under the Public Finance Ordinance and the Capital Works Reserve Fund (CWRF) Resolution and make recommendations to the FC. The PWSC, however, has no independent functions or powers. All expenditure proposals are subject to the decisions of the FC. In making such decisions, the FC is not bound in any way by the recommendations of the PWSC.

It has been a long-standing practice adopted by both the executive and legislative authorities on the management of public finance for expenditure proposals to be proposed by the Government for the consideration of the LegCo. The established practice is for the Chairman of the PWSC under the FC to adhere to the order of items proposed by the Government. PWSC will in turn examine the proposals and make recommendations to the FC in accordance with the PWSC procedure. In general, the PWSC Chairman will adhere to the sequence of agenda items as submitted by the Government. This arrangement has been working smoothly and has allowed funding proposals under the Public Finance Ordinance and the CWRP Resolution to be handled in a systematic and orderly manner. The arrangement fully demonstrates the mutual respect, co-operation as well as proper checks and balances in the relationship between the executive and legislative authorities. Unilateral changes to the established practice would not be appropriate.

In so far as the sequencing of agenda items is concerned, the arrangement adopted by PWSC is the same as that of FC. According to Rule 71(13) of the RoP of the LegCo, *"Subject to these Rules of Procedure, the practice and procedure of the committee and its subcommittees shall be determined by the committee."* The current arrangement for sequencing PWSC agenda items is an established practice. Any proposed departure from the established practice adopted by PWSC and FC warrants careful consideration. At the FC meeting on 24 October 2014, after considering the proposal to re-arrange the sequence of agenda items put forward by some members as well as the Government's justification for maintaining the original sequence, the FC Chairman decided to deliberate on the 17 outstanding items according to the original order proposed by the Government.

According to Rule 22(q) of the House Rules of the LegCo, the relevant panel should be consulted first before a major and/or potentially controversial financial proposal is introduced into the FC. The Government, before submitting public works expenditure proposals under the CWRP Resolution to PWSC for examination, will consult the relevant panels as per the requirement of the House Rules. In other words, the justification and urgency of expenditure proposals put forward to the PWSC, in particular aspects relating to policy matters, have been thoroughly considered by the relevant panels. All the expenditure proposals, being urgent in different ways, are related to the livelihood and long-term development of the community.

When considering the sequence of PWSC agenda items, the Government would have regard to a host of factors, including the importance, urgency, readiness and consultation progress of the relevant proposals. The sequencing of PWSC agenda items is driven by practical considerations and a wish to seek the earliest deliberation of all the proposals. Priority will not necessarily be accorded on the basis of a particular policy portfolio a PWSC agenda item falls within. Upon giving notice to the PWSC, the sequence of agenda items reflects the Government's overall priorities attached to the proposals involved. Unless in exceptional circumstances such as emergency relief or avoiding expiry of tender validity, the sequence of expenditure proposals will not normally be revised.

The 20 deferred PWSC items are all closely related to the livelihood and long-term development of the community. Their current sequence largely follows the chronological order of the dates when the items were first submitted to the PWSC. The first four proposals were submitted to the PWSC as early as this May, while the fifth to seventh proposals were submitted in June this year. All items have been carefully scrutinised by the Government, as well as thoroughly considered by the respective LegCo panels, but have been stalled for quite some time in the PWSC and deliberations have yet to complete.

In the light of the prolonged deliberations in the PWSC, the Government will keep under review the sequence and overall priority amongst the deferred and new items. The current sequence of the expenditure proposals still reflects their relative urgency. The Government hopes that the PWSC will examine the proposals in accordance with the established practice and procedure. The 20 proposals have been delayed for six months on average. Together with the proposal on the refurbishment of Hong Kong Buddhist Hospital yet to be dealt with by the PWSC in the last legislative session, the total estimate for these 21 proposals has increased by around \$1 billion. The dire consequences of further delays cannot be overstated.

On the current agenda, Item 1 on "Strategic studies for artificial islands in the Central Waters", Item 2 on "Ma On Shan development" and Item 4 on "Planning and engineering study on Sunny Bay reclamation" are all related to supply of housing and land. Item 3, which seeks additional funding for "Liantang/Heung Yuen Wai Boundary Control Point (BCP) and associated works - site formation and infrastructure works", relates to the said BCP which is already under construction and targeted for completion in 2018. The tender validity date for an important contract of this project will expire on 31 December 2014. If



additional funding is not approved and the contract not awarded before the expiry of the tender validity, the Government may have to re-tender. The project will suffer serious delay and further cost increase is possible. The tender validity dates for Item 5 on "Kowloon East Regional Headquarters and Operational Base-cum-Ngau Tau Kok Divisional Police Station" and Item 6 on "Road improvement works for West Kowloon Reclamation Development (Phase 1)" will also expire in May and April next year respectively.

Regarding Item 7 on "Integrated Basement for West Kowloon Cultural District", the Government intends to entrust the works to the West Kowloon Cultural District Authority (WKCD) for implementation under the construction/consultancy contracts already awarded by WKCD. Subject to FC's funding approval, the Government will seek to incorporate the proposed works into the WKCD contracts. The later the decision to incorporate is to be made, the longer will be the delay to the relevant WKCD contracts, and ultimately the higher the cost to the Government.

The Government has no intention to alter the sequence of the agenda items at this juncture. We earnestly appeal to all PWSC members to examine the expenditure proposals and make recommendations to the FC as early as possible, so that the public works projects beneficial to the livelihood and long-term development of the community can be taken forward without delay.

Yours sincerely,



(YEUNG Tak-keung)

for Secretary for Financial Services  
and the Treasury

c.c. Hon Tommy CHEUNG Yu-yan, SBS, JP,  
Chairman of Finance Committee of the Legislative Council